

Message Text

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ACTION SS-15

INFO OCT-01 EUR-12 NEA-10 ISO-00 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 DOE-11 H-01 INR-10
INT-05 L-03 NSAE-00 OMB-01 PM-05 OES-07 SP-02
STR-07 TRSE-00 ACDA-12 PA-01 NSCE-00 SSO-00
USIE-00 INRE-00 /119 W
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FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC IMMEDIATE 7348
INFO AMEMBASSY ANKARA
AMEMBASSY ATHENS
USCINCEUR VAIHINGEN GE

C O N F I D E N T I A L SECTION 1 OF 2 TEHRAN 2454

EO 11652: GDS
TAGS: EFIN, EAID, ELTN, IR, TU
SUBJ: TURKISH-IRANIAN RELATIONS: DEFERRED-PAYMENT IRANIAN
OIL FOR TURKEY

REF: (A) ANKARA 1722, (B) TEHRAN 2332, (C) ANKARA 1657,
(D) STATE 055731

SUMMARY: WE THINK THE IDEA OF IRAN PROVIDING OIL TO
TURKEY ON CONCESSIONARY OR DEFFERRED PAYMENT TERMS IS A
NON-STARTER FOR THE TIME BEING. THERE ARE A VARIETY OF
REASONS FOR REACHING THIS CONCLUSION, A NUMBER OF WHICH ARE
NOTED IN ANKARA'S 1722 AND ANKARA 1657, AS WELL AS IN TEHRAN
02332. AT BASE IRAN DOES UNDERSTAND AND APPRECIATE THAT IT
IS IN ITS INTERESTS TO HAVE BETTER RELATIONS WITH TURKEY AND
IT IS DOUBTLESS THIS FUNDAMENTAL BELIEF WHICH HAS PROMPTED
THE SHAH TO INSTRUCT HIS AMBASSADOR IN ANKARA TO MAKE NEW
EFFORTS TO IMPROVE BILATERAL REALTIONS. WE DO NOT THINK,
HOWEVER, THAT THE SHAH IS VERY OPTIMISTIC ABOUT THE
OUTCOME, AT LEAST IN THE SHORT TERM. IRAN SEES TURKEY'S
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PROBLEM TO BE FAR MORE FUNDAMENTAL AND COMPLEX THAN ONE
THAT COULD BE SIGNIFICANTLY AMELIORATED BY LIBERAL
ECONOMIC ASSISTANCE OF ONE FORM OR ANTOHER. IT IS
PARTICULARLY CONCERNED ABOUT THE DISARRAY IT PERCEIVES
IN THE TURKISH POLITICAL SCENE AND THE VIOLENCE AND
TURBULENCE POLITICAL INDISCIPLINE HAS BROUGHT IN ITS
WAKE. IT PROBABLY HAS A REALISTIC APPRECIATION OF WHAT

CONSTRAINTS ANY TURKISH LEADER IS UNDER IN RESPONDING TO IRANIAN OVERTURES, AND YET IT PROBABLY EXPECTS TURKISH CONCESSIONS AS THE SINE QUA NON OF IRANIAN ASSISTANCE. WE DO NOT THINK THAT OUR INTERVENTION IN THE QUESTION OF IRANIAN OIL TO TURKEY WOULD BEAR FRUIT OR SIGNIFICANTLY ALTER PERCEPTIONS HELD BY EACH SIDE OF THE OTHER. END SUMMARY.

1. WHILE EMBASSY IS, OF COURSE, MUCH ENCOURAGED BY EFFORTS OF IRANIAN DIPLOMATS IN ANKARA TO IMPROVE STATE OF RELATIONS BETWEEN TURKEY AND IRAN, AND CONCEDED THAT FRIENDLY AND IMPARTIAL GOOD OFFICES BY US HERE MIGHT CONCEIVABLE CONTRIBUTE A BIT TO THE DESIRED IMPROVEMENT, WE DOUBT VERY MUCH THAT OUR INTERCESSION WITH THE GOI HERE TO GET EXTENDED CREDIT FOR TURKISH PURCHASES OF IRANIAN CRUDE (AND OUR INTERVENTION WOULD HAVE TO BE AT THE TOP OR CLOSE TO IT) WOULD BEAR FRUIT. FACT IS THAT DISCOUNTS FROM OPEC PRICE OF OIL AND DEFERRED PAYMENT ARRANGMENTS FOR BUYERS RANGE RIGHT BEHIND OIL PRICE POLICY ITSELF IN TERMS OF IRANIAN SENSITIVITIES AND TOUCHINESS. IRANIANS HAVE BEEN EXTREMELY LOATH TO GRANT MEDIUM OR LONG TERM CREDIT TO OIL BUYERS (EXCLUDING SMALL DISCOUNTS IN SOME SPOT TRANSACTIONS AS MARKET CONDITIONS MAY WARRANT) EXCEPT IN VERY UNUSUAL CIRCUMSTANCES, E.G., GRAVE BALANCE OF PAYMENTS PROBLEMS, THREATENING THE STABILITY OF A FRIENDLY NEIGHBOR. IRANIANS ARE SECRETIVE ABOUT WHICH COUNTRIES GET DEFERRED PAYMENT TERMS ON NIOC DIRECT SALES AND AS FAR AS WE KNOW ONLY FOUR COUNTRIES (AND POSSIBLY SUDAN) ARE BENEFICIARIES OF SUCH TERMS: INDIA, SRI LANKA, CONFIDENTIAL

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PAKISTAN, AND BANGLADESH. ONLY FIRM DETAILS WHICH WE HAVE ARE FOR INDIA, I.E., ONE-THIRD CASH PAYMENT ON DELIVERY AND TWO-THIRDS BALANCE PAYABLE OVER FIVE OR SIX YEARS AT CONCESSIONAL INTEREST RATE. EVEN IF GOI COULD BE PERSUADED TO VIEW TURKEY IN SAME LIGHT AS IT DOES INDIA AND BANGLADESH, TURKISH ATTITUDES ON TIR TRANSIT TAX AND IMPLEMENTATION

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C O N F I D E N T I A L SECTION 2 OF 2 TEHRAN 2454

OF DOLS 1.2 BILLION 1975 CREDIT, AS IRANIANS SEE IT, AND DISCUSSED REFTTEL B, WOULD PRODUCE THE INEVITABLE MYOPIA IN THE IRANIAN EYE WHEN THE BOTTOM LINE IS REACHED. DOLLAR PROBLEM IS COMPOUNDED BY FACT THAT SLIPPAGE IN VALUE OF DOLLAR IS SEEN BY THE SHAH TO HAVE CAUSED 20 PERCENT DECLINE IN IRAN'S PURCHASING POWER. WE DO NOT SAY THAT THIS DYSPEPTIC VIEW OF TURKEY HELD HERE IS BY ANY MEANS WHOLLY JUSTIFIED ON THE BASIS OF AN OBJECTIVE READING OF THE FACTS, BUT MERELY STATE THE REALITY AS WE SEE IT.

2. A FEW IRANIANS WILL SAY PRIVATELY THAT THERE IS MERIT IN THE TURKISH VIEW THAT THOSE WHO USE TURKISH HIGHWAYS OUGHT TO BE THE ONES WHO SHOULD PAY FOR THEIR REHABILITATION. OFFICIALLY, HOWEVER, AND FOR THE RECORD AND AS INTEGRAL PART OF GOI'S NEGOTIATING POSTURE WITH TURKEY ON THE TRANSIT TAX MATTER, IRAN HAS HALD AND WILL CONTINUE TO HOLD THAT IT IS ENTITLED TO PREFERENTIAL TREATMENT. THE PSYCHOLOGICAL AND HISTORICAL FACTORS DISCUSSED IN REF A HAVE UNDOUBTEDLY PLAYED A MAJOR PART IN MOLDING THE TURKISH VIEW OF IRAN AT THIS POINT IN TIME. TOO, THE LIKELIHOOD OF OCCASIONAL DISPLAYS OF OVERWEENING BEHAVIOR BY IRANIAN NEGOTIATORS IN DEALING WITH THE TURKS OVER THE LAST FEW YEARS
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HAVE PROBABLY FORTIFIED TURKEY IN ITS BELIEF THAT IRAN WOULD LIKE TO KEEP TURKEY IN THE ROLE OF A POOR AND DISTANT COUSIN. WE THINK THIS IS AN EXAGGERATED VIEW, HOWEVER, GEOPOLITICAL

3. MORE CENTRAL, WE BELIEVE, IS IRAN'S PERCEPTION OF WHAT TURKEY CAN DO FOR ITSELF AND ITS ABILITY TO PLAY A STRONG PARTNERSHIP ROLE. WHILE WE DO NOT HAVE ANY AUTHORITATIVE UP-TO-DATE READING ON IRAN'S OPINION OF THE ECEVIT GOVERNMENT AND ITS PROSPECTS, THERE IS NO DOUBT THAT IT HAS VIEWED THE TURBULENCE IN TURKEY'S RECENT POLITICAL LIFE WITH DISMAY AND DISTRESS. WE BELIEVE THAT IT HAS HOPED SINCERELY FOR TURKISH LEADERSHIP WHICH CAN BRING ORDER OUT OF CHAOS AND DEAL DECISIVELY AND FIRMLY WITH TURKEY'S MULTIPLE SOCIAL, POLITICAL, AND ECONOMIC PROBLEMS. THIS IS THE KIND OF

LEADERSHIP IRAN THINKS IT CAN DO BUSINESS WITH, AS EVIDENCED BY ITS GENEROUS ASSISTANCE TO BANGLADESH, INDIA, AND EGYPT. IT IS THE KIND OF LEADERSHIP THAT IRAN WOULD EXPECT ABLE TO MAKE TOUGH DECISIONS WHICH WOULD REFLECT MORE REALISTICALLY IRAN AND TURKEY'S RELATIVE POSITIONS IN THE REAL WORLD. IT IS NOT CLEAR WHETHER IRAN BELIEVES THIS LEADERSHIP HAS YET EMERGED IN TURKEY. IN OUR VIEW CONSIDERABLY MORE SPAD WORK ON THE TURKISH SIDE WILL BE REQUIRED BEFORE A SIGNIFICANT CHANGE IN IRAN'S PERCEPTIONS OCCUR. THIS REQUIRES NOT ONLY CONCRETE EVIDENCE THAT TURKEY IS WILLING AND ABLE TO PUT ITS HOUSE IN ORDER, BUT ALSO AN ATTITUDIAL CHANGE WHICH ACKNOWLEDGES A MORE POWERFUL AND INFLUENTIAL IRAN THAN TURKEY MAY CARE TO ADMIT. GIVEN THE ENCOMBERANCES OF THE PAST THIS MAY BE A LONG TIME IN COMING.

4. FINALLY, IN IRAN'S VIEW THE US IS NOT WITHOUT BLAME
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FOR TURKEY'S PLIGHT. THIS SPECIFICALLY FOCUSES ON CONGRESSIONAL ATTITUDES TOWARD MILITARY COOPERATION WITH TURKEY AND IRANIAN BELIEF THAT THIS IS A SELF-INFLICTED WOUND. IT FINDS IT DIFFICULT TO RECONCILE OUR PROFESSION OF INTEREST IN A STRONG, CONFIDENT TURKEY WITH OUR INABILITY OR UNWILLINGNESS TO BACK TURKEY IN WHAT IT BELIEVES TO BE ITS VITAL INTERESTS. THUS, FOR THE US TO BECOME THE BROKER IN AN ENDEAVOR AIMED AT EASING TURKEY'S FINANCIAL PROBLEM IS MORE LIKELY TO BEMUSE THAN PERSUADE WE FEAR.
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